

THE ESSENTIAL SERVICES DEBATE: IS THERE A MIDDLE WAY?

The current debate on public ownership versus private ownership is incomplete because it ignores the availability of a third option - the cooperative option.

Certain key Government and Parliamentary documents are influencing the reform process:

Economic and Budget Review Committee **Out On The Table: The Cost of Community Service Obligations**, Thirty-Second Report to the Parliament, November 1991

Government of Victoria, **Discussion Paper on Corporatisation**, 1991
Securing Our Future: The Reform of Victoria's Public Authorities - A Statement of Objectives, June 1992
Draft Proposals For A Public Authorities Bill

Public Bodies Review Committee,
Discussion Paper on Corporatisation, October 1991
Issues Paper on Corporatisation, October 1991
Report to the Parliament on the 'appropriate model for corporatisation of the State Electricity Commission', June 1992
The Economic Impact of Public Bodies in Victoria, Fifth Report to Parliament, 1981

The debate in these documents is about whether the ownership of electric, gas and water utilities should be public or private. The emphasis is on the providers of services - rather than the consumers of services.

There is disagreement about what the real goal of public sector reform should be - enhancing public ownership and control or preparing public utilities for privatisation.

THE REAL DEBATE

The current public sector reform debate is:

Focussing on some means for providing essential services -

public or private provision.

Overlooking the alternative models for the provision of essential services - cooperatives.

The real debate about public sector reform is about the provision of essential services. Water, electricity and gas are all essential services. They are essential because they are basic to the quality of life of all Victorians.

The public sector reform debate should be open and based on two key questions:

Who can provide these services?

What are the costs and benefits of different provider models?

All providers can be competitive and efficient. The real choice and decision, therefore, is about who should own and control utilities, why and with what consequences for whom.

The major ownership options are:

A continuing State monopoly.

An extension of municipal provision.

A private monopoly.

Private providers.

Cooperative providers.

In examining the costs and benefits of each option, the following considerations are relevant:

Competition and efficiency.

Financing.

Democratic structures.

Access to essential services.

Economic development orientation.

Employment opportunities.

Regulatory requirements.

Customer policies and practices.

Environmental orientation.

Service areas.

Economies of scale.

Consideration will also be necessary on whether there should be a diversity of ownership. This would allow competition between systems and citizens could choose the ownership model for their service areas.

A PUBLIC RESPONSIBILITY

The essence of public policy debate is its openness to ideas without prejudice and discrimination. The public sector reform debate has, however, been dominated by the private and public provider options - to the exclusion of the cooperative option.

COOPERATIVE OPTION

Why should cooperatives be considered?

Firstly, because cooperatives work - in Australia and overseas

agricultural, marketing, housing, utility and credit cooperatives are both economically viable and democratic.

Secondly, the principle of one vote per member - cooperatives in Australia and overseas are based on one vote per member. It is direct democracy instead of the indirect democracy of public utilities - indirectly owned by the general public but directly controlled by the Government. Cooperatives are controlled by consumers of services whereas private utilities are controlled by investors in these services.

Thirdly , because consumers of cooperative utilities are its owners and, therefore, have a vested interest in its competitiveness and efficiency.

Fourthly , because the owners are members of local communities, cooperative utilities have an interest in the economic development of those communities in which their members live and work. This has been demonstrated by the rural electric cooperatives in the U.S.A.

UTILITY CO-OPERATIVES

Utility co-operatives have been successfully developed in the U.S.A. There are, for example, approximately 1000 rural electric co-operatives. The rural electric cooperative movement in the U.S.A. is economically larger than the State Electricity Commission of Victoria - a generating capacity of 31,168 MW compared with 7,763 MW, 12 million customers compared with 1.8 million and 60,000 workers compared with 14,000. The cooperatives are effective and efficient.

In arguing for public utilities, the Treasurer, the Hon. Tony Sheehan, has said that the share register of the energy utilities comprise the people of Victoria: This is an important point. It is reasonable to consider the people who live, work and employ people in Victoria as the legitimate shareholders of the GBEs.

It is a clever hypothetical which misses the point. Victorians are the legitimate owners of the GBEs - not shareholders. Generations of Victorians have created the assets of the energy utilities. All Victorians could become real shareholders through cooperative utilities - instead of the hypothetical shareholding of the Treasurer.

THE DEMOCRATIC CHOICE

It is an unfortunate oversight that public policy documents issued by Government and the Parliament have not considered the cooperative option however it is not too late to address this alternative. Cooperatives are economically successful and achievable.

It is only when all the ownership options are considered that a meaningful decision can be made about the future provision of services such as electricity, gas and water. The real choice and decision is not about the competitiveness and efficiency of different providers. It is about who should own and control utilities and in making this decision we are deciding what should be their structure and mission.

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